

K Subramania Nadar Vadivoo Ammal Educational Trust

August 19, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	40.00	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Assigned
Total Bank Facilities	40.00 (₹ Forty Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed rationale and key rating drivers

The rating assigned to the bank facilities of K Subramania Nadar Vadivoo Ammal Educational Trust (KSNVA) is constrained by modest scale of operations, elongated collections and stretched working capital utilisations. The rating is also constrained by highly regulated and competitive education industry and uneven cash flows associated with educational institutes. The ratings, however, draw strength from the experienced trustees, satisfactory enrollment levels and comfortable capital structure.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Consistent growth in the scale of operations while maintaining the enrolment levels
- Recovery of old fee receivables and improvement in liquidity position

Negative factors – Factors that could lead to negative rating action/downgrade:

- Significant dip in enrolment levels below 50%
- Any changes in government regulation/pandemic outbreak adversely impacting enrolments.

Detailed description of the key rating drivers

Key Rating Weaknesses:

Modest Scale of operations

The scale of operations remained modest in the range of Rs. 18.26 Crore to Rs. 22.07 crore during past three years. The trust commenced its activities by establishing a polytechnic college in the year 2010. Subsequently, the trust expanded its operations by setting up schools and agriculture college in the subsequent years. During FY20, a 100-bed hospital in Vasudevanallur, Tenkasi (Dt) was set up under the trust followed by a medical college in the name of 'S. Thangapazham Medical College' (STMC) from the Academic Year (AY) 2020-21 with a sanctioned student intake of 100 students which offers medical professional degree course in Indian System of Medicine called Bachelor of Naturopathy And Yogic Science (BNYS) program in affiliation with The Tamil Nadu, DR. M.G.R. Medical University. The scaling up of the medical college is expected to improve the revenue going forward.

Highly regulated and competitive education industry

The higher education in India is placed in the concurrent list of the constitution and thus comes under the purview of both Central and State Government. The sector is regulated by Ministry of Human Resources at the national level by the education ministries in each state, as well as by Central bodies like University Grant Commission (UGC) and 14 other professional councils like All India Council of Technical Education (AICTE), Directorate of Technical Education (DTE), etc. KSNVA being in the education sector is also highly regulated by the norms of governing bodies. The Education sector is also highly fragmented as there are large numbers of small and large private institutes which offers similar kind of courses in south India. Nevertheless, the trust offers agricultural studies as well as courses in yoga and naturopathy which are very limited in the region.

Uneven cash flows associated with educational Institutes

The revenue stream of the educational institutions are skewed towards the beginning of the academic year (normally between June-August) when the bulk of the tuition fees, hostel fees and other related income is collected whereas the society incurs regular stream of payments for meeting staff salary, maintenance activities, interest expenses amongst others.

Elongated collections

The trust has pending fee receivables of Rs.15 crore from students pertaining to FY20-21 period which elongates the collection period. This has led to high working capital intensity. Nevertheless, the trust had recovered around Rs. 5 crore during FY22 and another Rs.5 crore during Q1FY23. The effective collection of balance fee receivable amidst the inherent cash flow mismatches would remain crucial in credit perspective.

Key Rating Strengths:

Experienced trustees

KSNVA is a family managed trust with Mr. S. Thangapazham functioning as the Chairman and his son Mr. Murugesan as Managing Trustee. The chairman and managing trustee also has business interests in the constructions materials manufacturing and super market, having more than two decades of experience. The trustees are resourceful in terms of supporting the operations in the form of funding, and ably supported by professional team of management for administration and efficient teaching faculties.

Satisfactory enrollment levels

The trust established its institutes in the faculties of polytechnic, agricultural, medical science, and school studies, with primary focus on rural education. The enrolment levels in agricultural college have been maintained at healthy levels of 98-100% for the

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

past five academic years ended 21-22, while the polytechnic college remained in the range of 50- 73% during the said period. Further the trust started a medical college which offers course in the stream of Bachelor of Naturopathy and Yogic Science (BNYS) commenced recently since AY2020-21, and the enrollment levels remained comfortable at 80%.

Comfortable capital structure

The trust's capital structure is comfortable with an overall gearing of 0.23x as on March 31, 2022 backed by healthy corpus funds. Major portion of the debt is comprised of term loans availed for building renovation for agricultural institutions, and school, GECL loans, vehicle loans (school/college buses) and loans from NBFCs. The trust is in plans to establish a law college at the cost of Rs. 30.00 Crore to be funded by bank in the form of term loan of Rs. 25.00 Crore and rest from internal accruals. The construction is expected to be commenced by end of FY23 and completed by FY26.

Liquidity: Stretched

The liquidity position remained stretched with almost fully utilized working capital facility. Timing mismatches in fee receipts and expenses increases the reliance on ST working capital borrowings. The average utilisation of working capital limit stood full for the last twelve months and there have been instances of overdrawals, however, they have been regularized within a maximum of 10-12 days. The cash & bank balance stood modest at Rs. 0.94 Crore as on March 31, 2022.

Analytical approach: Standalone

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Education](#)

[Service Sector Companies](#)

About the Trust:

M/s. K Subramania Nadar Vadivoo Ammal Educational Trust (KSNVA) is a non-minority charitable trust established in the year 2010 by Mr S. Thangapazham, the Chairman of the trust. The trust is registered under Section 12 A of the Income Tax Act and commenced its activities by establishing a polytechnic college in the year 2010. Subsequently, the trust expanded its operations by setting up school and agriculture college in the subsequent years. During FY20, a 100-bed hospital in Vasudevanallur, Tenkasi (Dt) was set up under the trust within the same campus. Followed by this, a medical college in the name of 'S. Thangapazham Medical College' (STMC) was started as self-financing college from the Academic Year (AY) 2020-21 with a sanctioned student intake of 100 students and offers medical professional degree course in Indian System of Medicine called Bachelor of Naturopathy And Yogic Science (BNYS) program in affiliation with The Tamil Nadu, DR. M.G.R. Medical University.

Brief Financials (₹ crore)	March 31, 2020 (A)	March 31, 2021 (A)	March 31, 2022 (P)	Q1FY23 (UA)
Total operating income	21.95	19.84	21.04	9.00
PBILDT	13.36	13.88	14.17	NA
PAT	11.48	12.31	12.37	NA
Overall gearing (times)	0.29	0.24	0.23	NA
Interest coverage (times)	7.34	8.67	7.71	NA

A-Audited; UA – Unaudited; NA – Not Available P – Provisional

Status of non-cooperation with previous CRA: Nil

Any other information: NIL

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument/facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this trust: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	3.36	CARE BB-; Stable
Fund-based - LT-Term Loan		-	-	June 2028	36.64	CARE BB-; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Bank Overdraft	LT	3.36	CARE BB-; Stable				
2	Fund-based - LT-Term Loan	LT	36.64	CARE BB-; Stable				

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of various instruments rated for this trust**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Bank lender details for this trust

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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